

16.03 Comprehensive Income

Other Comprehensive Income & Comprehensive Income ("OC")

The purpose of reporting comprehensive income is to report a measure of overall enterprise performance. (ASC 220) Comprehensive income includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. It should be **prominently** displayed (net of tax effect) within the financial statements (F/S). It may be displayed in one of two ways:

1. As a separate statement of comprehensive income that immediately follows the income statement.
2. In a combined statement of income and comprehensive income.

Roger Company Statement of Comprehensive Income FYE 12/31/20X3		
Net Income		\$xxx,xxx
Other comprehensive income (OCI) (net of tax)		
Derivative, cash flow hedges	\$xxx	
Excess adjustment of Pension PBO and FV of Plan assets at year end	\$xxx	
Net unrealized gain/loss Avail-for-sale Securities	\$xxx	
<u>Translation gains and losses</u>	<u>\$xxx</u>	<u>\$x,xxx</u>
Comprehensive income		\$xxx,xxx

Although they also result in changes in net assets, the following items are not currently included in the reporting of OCI:

- Contributions from owners
- Distributions to owners (dividends)
- Prior period adjustments

A **prior period adjustment** actually is a form of comprehensive income, but since it doesn't relate to the current year, it isn't reported in the OCI section of the statement. Prior period adjustments, along with distributions of earnings, are reported on the **Statement of Retained Earnings**, while contributions by owners and distributions that represent a return of capital are not currently required to be reported on any of the F/S.

Accumulated Other Comprehensive Income

This is reported on the balance sheet as a component of stockholders' equity that includes the total of OCI for the current and previous periods.

Earnings Per Share (EPS)

Companies with publicly traded stock are required to include **EPS information** at the bottom of the statement for:

- Income from continuing operations (ONT)
- Net income

Additional EPS numbers must be reported either at the bottom of the statement or in the notes for discontinued operations.

No EPS information is reported for comprehensive income or for the OCI section.

The presentation of EPS information for companies with **complex capital structures** must include:

- Basic EPS
- Diluted EPS

A sample Statement of Earnings and Comprehensive Income for a publicly held company follows (we'll use the single-step format for the continuing operations section).

ABC Company Statement of Earnings and Comprehensive Income For the Year Ended December 31, 20X3		
Sales		1,000,000
Dividend income		<u>4,000</u>
Total revenue		1,004,000
Cost of sales	600,000	
Selling, general, and administrative expenses	300,000	
Loss on sale of equipment	17,000	
Current income tax expense	23,000	
Deferred income tax expense	<u>3,000</u>	<u>943,000</u>
Income from continuing operations		61,000
Discontinued operations:		
Gain (loss) from operations of discontinued component, net of \$12,600 taxes		<u>29,400</u>
Net Income		90,400
Other comprehensive income:		
Translation adjustment, net of \$2,400 taxes	5,600	
Unrealized gain on available-for-sale securities, net of \$9,600 taxes	<u>22,400</u>	<u>28,000</u>
Comprehensive income		<u>118,400</u>
Earnings per share:	Basic	Diluted
Income from continuing operations	6.10	4.88
Net income	9.04	7.01